

Summary of Financial Results: 1999

Seattle City Light's financial results for 1999 showed a significant improvement over the results of the prior year, reflecting markedly better water conditions in the region. The Department recorded net income of \$7.7 million in 1999, an increase of \$30.3 million from 1998. Operating revenues of \$372.8 million represented an increase of \$8.8 million, or 2.4%, from the level experienced in 1998. Operating expenses of \$317.3 million were \$30.0 million lower than in 1998, largely as a result of the improved water conditions, which increased the amount of surplus hydro power available for sale in the May-July period and lowered the need to purchase power in other months. Net revenue available for debt service was equal to 1.90 times debt service on first- lien debt, higher than the debt service coverage target of 1.80. The coverage ratio has averaged 1.80 over the past ten years.

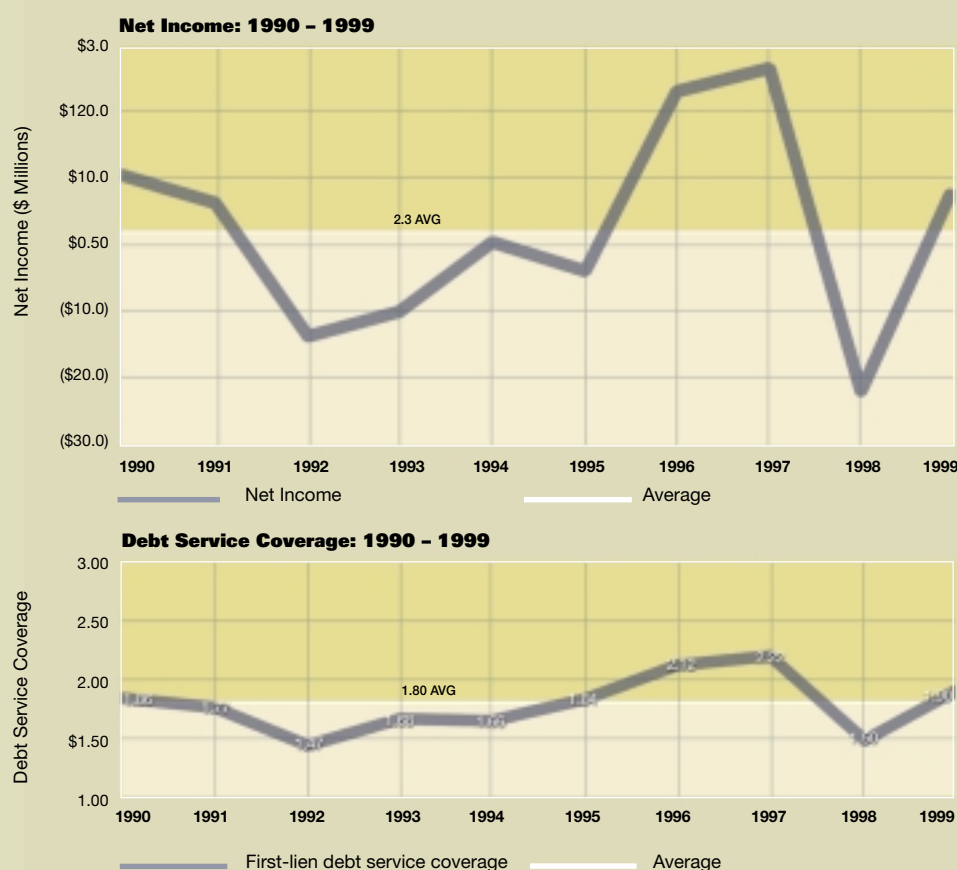
Revenues

Revenue from the sale of power to retail customers in the Department's service area totaled \$366.0 million, an increase of \$8.2 million from the 1998 level. The volume of energy consumed increased by 1.8%, reflecting the strength of the local economy and colder winter temperatures than in the prior year. The average billing rate increased by 0.5% because a disproportionate share of the increase in consumption occurred in the residential rate class, where the average billing rate is higher than the average for the system as a whole. Sales outside the service area to facilities in California under the Department's contract with Nordstrom generated an additional \$2.0 million, an increase of \$0.6 million from the 1998 level. Offsetting the increase, sales for resale outside the service area declined by \$1.5 million as the contract with the Association of Bay Area Governments expired at the end of 1998. Other miscellaneous revenues increased from \$3.3 million in 1998 to \$4.8 million in 1999, an increase of 46%, primarily from

the sale of easements and the rental of electric property, poles, and transmission towers.

Operating Expenses

Interchanged Power. The financial impact of interchanged power transactions (the net effect of sales to and purchases from the wholesale power market) reflected the dramatic improvement in water conditions from 1998 to 1999. In 1998, streamflows in the watersheds in which City Light's generating plants are located were far below normal. As a result, the Department bought substantial amounts of energy in the wholesale market at a



cost of \$52.0 million. In months when surplus power was available the Department realized \$34.9 million in proceeds from sales to the wholesale market. The net effect was an expense of \$17.1 million. In 1999 precipitation and streamflows in the region were far above average. Generation in City Light's generating plants totaled 8,454,114 MWh, an increase of 23% from the 6,872,537 MWh recorded in 1998. Surplus energy was available from March through August. Sales in the wholesale market generated \$54.1 million in revenue. The cost of purchasing energy in the wholesale market to balance loads and resources in times of deficit was \$34.3 million. The net effect of sales and purchases therefore produced a \$19.8 million offset to power costs, an increase of \$36.9 million from the prior year.

Purchased Power. The cost of purchasing power from other utilities under long-term contracts showed little change from 1998 to 1999. Purchased power costs totaled \$80.9 million, an increase of 1.1% from the \$80.0 million expense recorded in 1998. The Department purchased 180.6 average MW of energy from Bonneville in 1999 at a cost of \$33.1 million, an increase of 15.9 average MW and \$1.6 million from the prior year. With prices in the wholesale market at high levels in 1999, the Department sold most of its surplus energy in the wholesale market, rather than using it to displace energy available under its contract with Bonneville. In 1999 the Department displaced only 14.4 average MW of the 195 average MW available under its Bonneville contract, less than half of the 30.3 average MW displaced in 1998. The increase in Bonneville costs was partially offset by decreases in the costs associated with other long-term contracted resources, including Lucky Peak and the Grand Coulee Project Hydroelectric Authority.

Generation, Transmission and Other Power Costs. Operating and maintenance costs in City Light's generating resources were \$31.1 million in 1999, only slightly higher than the \$31.0 million recorded in 1998. The Department's 8% share of the costs of operating the Centralia Steam Plant were \$13.7 million in 1999, a decrease of \$0.2 million from the prior year. Water for Power and Hydro Rent costs, which include payments to the Federal Energy Regulatory Commission, also declined by \$0.2 million from 1998 to 1999. Offsetting these decreases was an increase of \$0.5 million, from \$12.8 million to \$13.3 million, in the costs of operating and maintaining City Light's hydroelectric plants. Transmission costs increased from \$19.9 to \$21.0 million. Wheeling costs (the cost of transmitting power over the lines of other utilities) were almost constant from 1998 to 1999, increasing \$0.2 million to \$16.9 million. The cost of operating and maintaining the Department's own transmission lines increased from \$3.2 million to \$4.1 million, primarily for maintenance which had been

deferred during 1998. Other Power Costs, which include the costs of operating the System Control Center and the costs of the Department's power marketing operation, increased from \$3.7 million in 1998 to \$4.5 million in 1999. This increase reflected the enhancement of the Department's marketing efforts which was implemented in 1999.

Other Operations and Maintenance Costs (Distribution, Customer Service, Administration & General)

O&M costs in categories unrelated to power supply and transmission (distribution, customer service, and administration and general) increased from \$103.2 million in 1998 to \$107.0 million in 1999, an increase of 3.7%. Non-recurring events and circumstances account for a large part of this increase. The Department incurred expenses of \$5.2 million to ensure that computer systems would make the transition to the year 2000 without disruption. Most of the increase in the administration and general category can be traced to these efforts. Amounts reserved for injuries and damages also increased. The estimated expense for current claims and future claims that had been incurred but not reported increased by \$2.5 million. The Department also increased reserves for damage claims by \$1.5 million primarily to provide for potential claims related to the clean-up of a recently designated Superfund site on the Duwamish River. Costs also increased due to cost-of-living adjustments to staff salaries, staffing increases, and the implementation of a new city-wide accounting system, the cost of which was shared by the Department. Offsetting these increases in the administration and general category were lower expenses for information technology and computers not related to year-2000 issues, rents, and research and development. In addition, the amount of administrative and general expenses allocated to capital projects, to be amortized over the life of those projects, increased by \$3.0 million from 1998 to 1999.

Distribution expenses increased by \$1.2 million, from \$36.0 million in 1998 to \$37.1 million in 1999. Again non-recurring costs were partially responsible for the increase. The Department incurred increased expense of \$0.5 million due to damage to overhead systems from 1999 storms, including thunderstorms in August which severely damaged transformers and other components of the distribution system. Other distribution expenses showed an increase of \$0.3 million.

Increases in distribution and administration and general costs were offset by a \$2.9 million decrease in expenses in the customer accounting and advisory category. Costs in this set of accounts were higher than normal in 1998 as the Department participated in the initial stages of a joint effort with the other City

utilities to implement a new customer information system (the Consolidated Customer Services System). In 1999, most of the costs of implementing the new system were capitalized, and expenses thus showed a decline from the prior year. In addition, on-call support for the existing Customer Information System (CIS) declined. Efforts to solve year-2000 problems for customer-related computer systems were largely completed in 1998, and expenses in 1999 were therefore lower.

Taxes

Occupation tax payments to the City of Seattle, which are computed as a percentage of taxable revenue, increased in tandem with revenues, from \$21.6 million in 1998 to \$21.8 million in 1999. Other taxes and contractual payments to other jurisdictions increased by \$0.3 million, from \$16.6 to \$16.9 million. Tax payments to the State of Washington declined by \$0.2 million from the level recorded in 1998. At the end of 1998, the City signed franchise agreement with the Cities of Shoreline, Burien, and Lake Forest Park which provided that the Department would make payments to these cities in amounts equal to 6% of the power portion of billings to customers residing within these jurisdictions. Payments under these franchise agreements started in January 1, 1999 for Shoreline and Burien and March 1 for Lake Forest Park. Franchise payments in 1999 totaled \$0.9 million. In addition, payments to Pend Oreille and Whatcom Counties increased by \$0.5 million under the terms of renewed contracts for services provided to City Light facilities in those counties. Offsetting these increases was a reduction of \$0.2 million in the Department's estimated arbitrage rebate liability to the U.S. Treasury. In 1998, an increase of \$0.5 million in the estimated rebate liability had been recorded.

Depreciation

Depreciation expense increased by \$2.9 million from 1998 to 1999, reflecting the increase in depreciable assets as the Department executed its capital improvement program. Offsetting the increase in depreciation was a credit of \$3.1 million resulting from the amortization of contributions in aid of construction — i.e., amounts paid by customers for capital improvements undertaken by the Department for their benefit, such as service connections. The Department started to amortize contributions in 1999; there was therefore no corresponding credit in 1998.

Investment Income and Net Interest Expense

The Department's income from investment activity declined by \$3.1 million from \$7.2 million in 1998 to \$4.1 million in 1999. On the average cash balances were lower in 1999 than in 1998. In addition, accounting principles require the Department to state the value of its investments at year end, including its share of the City's pooled investments, on the basis of market interest rates. The value of the Department's portfolio declined by \$2.5 million from December 31, 1998 to December 31, 1999 due to the rise in market interest rates in the intervening period.

Net interest expense increased from \$45.2 million to \$47.9 million from 1998 to 1999. The Department issued \$158.0 million in first-lien, fixed-rate bonds in October 1999 at a true interest cost of 5.96%. Higher interest costs were offset by an increase of \$1.3 million in the allowance for funds used during construction (AFUDC), which represents the interest cost associated with capital projects during their construction period. Since this interest cost is capitalized along with other construction costs, it resulted in an offset to interest expense.

Other Expense (Net)

Various non-recurring charges and costs attributable to prior periods resulted in a net expense of \$3.9 million in 1999, \$2.7 million more than in 1998. Included in this category was a charge of \$1.4 million related to a revision in the estimate of damage claims incurred but not reported that were attributable to prior years.

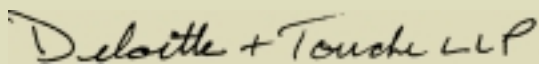
Independent Auditors' Report

Superintendent, Seattle City Light Department:

We have audited the accompanying balance sheets of the City of Seattle – City Light Department (the Department) as of December 31, 1999 and 1998, and the related statements of income and changes in retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles accepted in the United States of America.



Deloitte & Touche LLP

Seattle, Washington

April 7, 2000

Balance Sheets

<i>As of December 31,</i>	<i>1999</i>	<i>1998</i>
Assets		
Utility Plant, At Original Cost:		
Plant in service, excluding land	\$ 1,735,104,405	\$ 1,641,150,224
Less - accumulated depreciation	(731,545,437)	(685,315,961)
	1,003,558,968	955,834,263
Construction work-in-progress	118,281,967	82,878,682
Nonoperating property, net of accumulated depreciation	6,366,276	6,225,934
Land and land rights	28,029,695	27,715,535
	1,156,236,906	1,072,654,414
Capitalized Purchased Power Commitment	73,854,788	81,330,278
Restricted Assets:		
Municipal Light & Power Bond Reserve Fund:		
Cash and equity in pooled investments	39,954,532	35,852,827
U.S. Government securities	21,893,730	23,938,114
Bond proceeds and other:		
Cash and equity in pooled investments	679,865	338,992
	62,528,127	60,129,933
Current Assets:		
Cash and equity in pooled investments	62,080,012	24,589,889
Accounts receivable (net of allowance of \$3,290,000 and \$3,690,000, respectively)	55,442,628	50,498,099
Unbilled revenues	32,160,350	31,530,824
Materials and supplies and coal inventory, at average cost	21,824,632	21,550,270
Prepayments and other	7,009,588	2,294,094
	178,517,210	130,463,176
Other Assets:		
Real estate and conservation loans receivable	734,260	1,379,742
Deferred conservation costs, net	71,186,295	59,965,910
Other deferred charges, net	22,807,391	22,823,240
	94,727,946	84,168,892
	\$ 1,565,864,977	\$ 1,428,746,693

The accompanying notes are an integral part of these financial statements.

<i>As of December 31,</i>	<i>1999</i>	<i>1998</i>
Equity and Liabilities		
Equity:		
Retained earnings	\$ 300,019,689	\$ 292,281,220
Contributions in aid of construction	113,259,359	106,003,603
	413,279,048	398,284,823
Long-term Debt:		
Revenue bonds, due serially	1,041,342,000	918,627,000
Less-bond discount and premium, net	(6,116,829)	(7,009,198)
Less-deferred costs on refunding	(41,188,656)	(45,359,312)
Less-revenue bonds due within one year	(36,179,500)	(35,285,000)
	957,857,015	830,973,490
Noncurrent Liabilities:		
Accumulated provision for injuries and damages	5,976,313	2,058,399
Long-term purchased power obligation	73,854,788	81,330,278
Less-obligation due within one year	(7,875,000)	(7,430,000)
	71,956,101	75,958,677
Current Liabilities:		
Accounts payable, accrued payroll, taxes and other	53,037,557	56,884,307
Accrued vacation and sick leave	9,072,861	8,605,265
Accrued interest	14,733,181	13,255,942
Revenue bonds due within one year	36,179,500	35,285,000
Purchased power obligation due within one year	7,875,000	7,430,000
	120,898,099	121,460,514
Deferred Credits	1,874,714	2,069,189
Commitments and Contingencies (Note 9)		
	\$ 1,565,864,977	\$ 1,428,746,693

The accompanying notes are an integral part of these financial statements

Statements of Income and Changes in Retained Earnings

<i>For the years ended December 31,</i>	<i>1999</i>	<i>1998</i>
Operating Revenues	\$ 372,750,765	\$ 363,913,130
Operating Expenses:		
Purchases of firm power	80,888,231	79,999,162
Net interchanged power	(19,769,750)	17,105,639
Generation	31,071,778	31,019,177
Other power costs	4,508,274	3,716,008
Transmission	20,960,408	19,866,792
Distribution	37,138,587	35,974,507
Customer service and accounting	26,504,669	29,365,498
Administrative and general	43,310,839	37,831,932
City of Seattle occupation tax	21,791,151	21,584,015
Other taxes	16,869,928	16,577,986
Depreciation	54,022,390	54,213,420
Total operating expenses	317,296,505	347,254,136
Net operating income	55,454,260	16,658,994
Other Income and Deductions:		
Investment income	4,140,404	7,222,664
Interest expense	(42,740,018)	(39,887,808)
Amortization of debt expense	(5,208,932)	(5,356,166)
Other expense, net	(3,907,245)	(1,214,197)
	(47,715,791)	(39,235,507)
Net income (loss)	\$ 7,738,469	\$ (22,576,513)
Retained Earnings:		
Balance at beginning of the year	292,281,220	314,857,733
Balance at end of the year	\$ 300,019,689	\$ 292,281,220

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows

<i>For the years ended December 31,</i>	<i>1999</i>	<i>1998</i>
Operating Activities:		
Cash received from customers	\$ 449,089,525	\$ 429,136,149
Cash paid to suppliers and employees	(301,825,330)	(306,412,212)
Taxes paid	(40,592,305)	(36,909,706)
Net cash provided by operating activities	106,671,890	85,814,231
Capital and Related Financing Activities:		
Proceeds from long-term debt, net of discount	159,132,847	184,420,908
Bond issue costs paid	(438,200)	(257,280)
Principal paid on long-term debt	(35,285,000)	(127,373,000)
Interest paid on long-term debt	(45,537,530)	(42,140,884)
Acquisition and construction of capital assets	(155,498,414)	(125,232,281)
Proceeds from sale of property, plant and equipment	32,930	532,808
Contributions in aid of construction	6,335,359	7,477,257
Net cash used for capital and related financing activities	(71,258,008)	(102,572,472)
Investing Activities:		
Proceeds from long-term loans receivable	905,132	1,710,950
Long-term loans issued	(629,136)	(1,388,754)
Proceeds from sale of investments	1,000,000	7,095,000
Interest received on investments	5,242,824	6,161,631
Net cash provided by investing activities	6,518,820	13,578,827
Net increase (decrease) in cash and equity in pooled investments	41,932,702	(3,179,414)
Cash and equity in pooled investments at beginning of year	60,781,708	63,961,122
Cash and equity in pooled investments at end of year	\$102,714,410	\$60,781,708

Reconciliation of Net Operating Income to Net Cash Provided By Operating Activities

<i>For the years ended December 31,</i>	<i>1999</i>	<i>1998</i>
Net operating income	\$ 55,454,260	\$ 16,658,994
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	61,227,747	60,670,014
Cash provided by (used for) changes in operating assets and liabilities:		
Accounts receivable	(3,902,688)	611,960
Unbilled revenues	(629,526)	(1,166,004)
Materials and supplies and coal inventory	(2,805,070)	(209,409)
Prepayments and other	(4,401,932)	4,277,999
Provision for injuries and damages	2,545,751	(26,432)
Accounts payable, accrued payroll, taxes, and other	(2,143,882)	4,201,333
Accrued vacation and sick leave	463,179	163,284
Other	864,051	632,492
Total adjustments	51,217,630	69,155,237
Net cash provided by operating activities	\$ 106,671,890	\$ 85,814,231

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements:

For the years ended December 31, 1999 and 1998

Note (1) Operations and Summary of Significant Accounting Policies

The City Light Department (the Department) is the public electric utility of the City of Seattle (the City). The Department owns and operates certain generating, transmission, and distribution facilities and supplies electricity to approximately 345,500 customers. The Department supplies electrical energy to other City agencies at rates prescribed by City ordinances. The establishment of the Department's rates is within the exclusive jurisdiction of the City Council. A requirement of Washington State law provides that rates must be fair, nondiscriminatory, and fixed to produce revenue adequate to pay for operation and maintenance expenses and to meet all debt service requirements payable from such revenue. The Department pays occupation taxes to the City based on total revenues.

The Department also provides nonenergy services to other City agencies and during 1999 and 1998 received \$1.4 million and \$1.9 million, respectively, for such services. Included in accounts receivable at December 31, 1999 and 1998, are \$4.8 million and \$3.8 million, respectively, representing amounts due from other City departments for services provided, reimbursements, and interest receivable on cash and equity in pooled investments.

The Department receives certain services from other City agencies, and paid approximately \$26.6 million and \$26.8 million, respectively, in 1999 and 1998 for such services. Included in accounts payable for the same time periods are \$6.3 million and \$6.1 million representing amounts due other City departments for goods and services received.

Accounting Standards

The accounting and reporting policies of the Department are regulated by the Washington State Auditor's Office, Division of Municipal Corporations, and are based on the Uniform System of Accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission (FERC).

Pursuant to Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Department elected to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations except for those that conflict with or contradict GASB pronouncements.

In June 1999, the GASB issued Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments," which requires reporting on the value

of infrastructure assets effective for fiscal years beginning after June 15, 2001 for Phase I Governments, with total annual revenues of \$100 million or more in fiscal year 1999. The Department does not anticipate a material impact to the financial position or operations as a result of implementation of GASB Statement No. 34.

In June 1998, the FASB issued the Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that derivatives be recognized in the balance sheet and measured at fair value. In July 1999, the FASB issued SFAS No. 137, which delayed the effective date of SFAS No. 133 for one year, to fiscal years beginning after June 15, 2000. The Department is evaluating the effects, if any, of the new standard on its future financial statements.

Utility Plant

Utility plant is recorded at original cost which includes both direct costs of construction or acquisition and indirect costs, including an allowance for funds used during construction. The allowance represents the estimated costs of financing construction projects and is computed using the Department's most recent long-term borrowing rate. The allowance totaled \$4.2 million and \$2.9 million in 1999 and 1998, respectively, and is reflected as a reduction of interest expense in the statements of income and changes in retained earnings. Property constructed with contributions in aid of construction received from customers is included in utility plant. Contributions totaled \$10.4 million in 1999 and \$12.4 million in 1998. In accordance with a policy effective in 1999 to amortize contributions, amortization totaled \$3.1 million, resulting in net contributions of \$7.3 million in 1999. Provision for depreciation is made using the straight-line method based upon estimated economic lives, which range from three to 50 years, of related operating assets. The Department uses a half-year convention method on the assumption that additions and replacements are placed in service at mid-year. The composite depreciation rate was approximately 3.3% in 1999 and 1998. When operating plant assets are retired, their original cost together with removal costs, less salvage, is charged to accumulated depreciation. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments is capitalized.

Other Assets

Other assets consist of deferred programmatic conservation and weatherization costs incurred for purposes of load reduction and energy efficiency. These costs are being recovered through rates over 20 years. Also included are deferred mitigation expenditures spent under settlement agreements associated with the FERC operating license for the

Skagit Hydroproject, unamortized debt expense, billable work in progress, and real estate and conservation loans.

Restricted Assets

In accordance with the Department's bond resolutions, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of the Municipal Light & Power (ML&P) Bond Reserve Fund, financing of the Department's ongoing Capital Improvement Program, and other purposes.

Cash and Equity in Pooled Investments, and Investments

The City pools and invests all temporary cash surpluses for City departments. These residual investments may consist of deposits with qualified public depositories; obligations of the United States or its agencies or wholly owned corporations; obligations of eligible government-sponsored enterprises; and certain bankers' acceptances, commercial paper, general obligation bonds or warrants, repurchase agreements, reverse repurchase agreements, mortgage-backed securities, and derivative-based securities; and are in accordance with the Revised Code of Washington (RCW) 35.39.032 . According to City policy, securities purchased will have a maximum maturity of no longer than 15 years, and the average maturity of all securities owned should average no longer than five years. The Department's equity in residual investments is reflected as cash and equity in pooled investments. The City's residual investment pool did not include reverse repurchase agreements at the end of 1999 or 1998; the City did invest in such instruments during both years. Derivative-based securities were owned by the City pool during 1999 and 1998 and at both year ends. Earnings and adjustments to fair value from the investment pool are prorated monthly to City departments based on the average daily cash balances of participating funds.

Banks or trust companies acting as the City's agents hold most of the City's investments in the City's name, with respect to credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements." All transactions are executed with authorized security dealers and financial institutions on a delivery-versus-payment basis.

The first \$100,000 of bank deposits are federally insured. The Washington State Public Deposit Protection Commission (PDPC) collateralizes deposits in excess of \$100,000. The PDPC is a multiple financial institution collateral pool. There is no provision for the PDPC to make additional pro rata assessments if needed to cover a loss. Therefore, the PDPC protection is of the nature of collateral, not of insurance.

Securities with maturities exceeding three months at time of purchase are reported at fair value on the balance sheets; the net increase (decrease) in the fair value of those investments is reported as part of investment income. At December 31, changes in the fair value of investments resulted in an unrealized loss of \$2,497,774 for 1999 and an unrealized gain of \$129,857 for 1998.

The cash pool operates like a demand deposit account in that all agencies, including the Department, may deposit cash at any time and can also withdraw cash out of the pool without prior notice or penalty. Accordingly, the statements of cash flows reconcile to cash and equity in pooled investments.

Cash and cash equivalents included in cash and equity in pooled investments consist of:

<i>December 31,</i>	<i>1999</i>	<i>1998</i>
Restricted Assets		
Municipal Light & Power Bond Reserve Fund	\$ 2,481,063	\$ 2,258,805
Bond proceeds and other	42,199	21,399
	\$ 2,523,262	\$ 2,280,204
Current Assets	\$ 3,816,578	\$ 1,549,174
	\$ 6,339,840	\$ 3,829,378

Equity in pooled investments and U. S. Government securities are reported at fair values based on quoted market prices for those or similar securities.

<i>December 31,</i>	<i>1999</i>	<i>1998</i>
Restricted Assets		
Municipal Light & Power Bond Reserve Fund:		
Equity in pooled investments	\$ 37,473,469	\$ 33,594,022
U.S. Government securities	21,893,730	23,938,114
Bond proceeds and other:		
Equity in pooled investments	637,666	317,593
	\$ 60,004,865	\$ 57,849,729
Current Assets		
Equity in pooled investments	\$ 58,263,434	\$ 23,040,715

Cash and equity in pooled investments in the statements of cash flows consist of:

<i>December 31,</i>	<i>1999</i>	<i>1998</i>
Cash and cash equivalents	\$ 6,339,840	\$ 3,829,378
Equity in pooled investments	96,374,569	56,952,330
	\$ 102,714,409	\$ 60,781,708

Compensated Absences

Permanent employees of the Department earn vacation time in accordance with length of service. A maximum of 480 hours may be accumulated and, upon termination, employees are entitled to compensation for unused vacation. At retirement, employees receive compensation equivalent to 25% of

their accumulated sick leave. The Department accrues all costs associated with compensated absences, including payroll taxes.

Revenue Recognition

Service rates are authorized by City of Seattle ordinances. Billings are made to customers on a monthly or bimonthly basis. Revenues for energy delivered to customers between the last billing date and the end of the year are estimated and reflected in the accompanying financial statements under the caption "unbilled revenues."

The Department's customer base comprises five identifiable groups, which accounted for electric energy sales as follows:

	1999	1998
Residential	38.8 %	37.6 %
Commercial	38.4	37.8
Industrial	12.5	13.8
Governmental	10.3	10.4
Sales for resale	-	.4
	100.0 %	100.0 %

Use of Estimates

The preparation of the financial statements in conformity with accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. The Department used significant estimates in determining reported unbilled revenues, accumulated provision for injuries and damages, allowance for doubtful accounts, accrued sick leave, and other contingencies. Actual results may differ from those estimates.

Significant Risk and Uncertainty

The Department is subject to certain business risks which could have a material impact on future operations and financial performance. These risks include water conditions; weather and natural disaster related disruptions; collective bargaining labor disputes; fish and other endangered species act issues; Environmental Protection Agency regulations; federal government regulations or orders concerning the operations, maintenance, and/or licensing of hydroelectric facilities; and the deregulation of the electrical utility industry.

Reclassifications

Certain 1998 account balances have been reclassified to conform to the 1999 presentation.

Note (2) Jointly Owned Plant

The Department is one of eight public and private utilities which constructed and own as tenants-in-common a 1,343 megawatt (MW) coal-fired, steam-electric generating plant located near Centralia,

Washington. The Department's ownership interest is 8%. The Department's share of operating expenses and plant investment associated with the Centralia Steam Plant is included in the accompanying financial statements. The Department's share of the investment in the Centralia Steam Plant at December 31 is as follows:

	1999	1998
Utility Plant in service	\$ 28,620,025	\$ 28,701,981
Less - accumulated depreciation	(20,889,960)	(20,043,867)
	\$ 7,730,065	\$ 8,658,114

On December 31, 1992, the Department established a trust for the purpose of funding the Department's 8% share of the reclamation costs of the Centralia Coal Mine. The initial funding of the trust in the amount of \$1.7 million was derived from the Department's previous contributions to the operator of the mine for reclamation costs. Payments into the trust have been, and will continue to be, reflected as a component of the fuel costs for the Centralia Steam Plant. At December 31, 1999, the balance in the trust was \$4.6 million at fair value based on quoted market prices. Trust assets are not reflected on these financial statements.

In May 1999, the owners of the Centralia Steam Plant announced the sale of the plant to TransAlta Corporation, a Canadian corporation. Regulatory bodies at the federal, state, and local levels must approve the sales agreement. Consequently, closing of the sale is anticipated to take place by mid-2000 or shortly thereafter. In the interim, operations will continue status quo until final completion of the sale.

Note (3) Long-term Debt

Prior Lien Bonds

In October 1999, the Department issued \$158 million in ML&P Revenue Bonds which bear interest at rates ranging from 5% to 6% and which mature serially October 1, 2006 through 2024.

In January 1998, the Department issued \$104.6 million in ML&P Refunding Revenue Bonds, Series A, which bear interest at rates ranging from 4.5% to 5% and which mature serially July 1, 1998 through 2020. The 1998 Refunding Revenue Bonds defeased \$94.7 million of the 1994 ML&P Revenue Bonds. The difference between the cash flows required to service the old and new debt and complete the refunding totaled \$10.6 million; and the economic gain totaled \$7.4 million at net present value.

In October 1998, the Department issued \$90 million ML&P Revenue Bonds, Series B, which bear interest at rates ranging from 4.75% to 5.00% and which mature serially June 1, 2004 through 2024.

Proceeds from the October 1999 and October 1998

bonds were used to finance a portion of the Department's ongoing capital improvement and conservation program.

Prior lien bonds outstanding at December 31, 1999, totaled \$933.4 million. Principal redemptions extend through 2024 with interest to be paid at rates ranging from 4.3% to 6%. Future debt service requirements on these bonds are as follows:

<i>Year ending December 31,</i>	<i>Principal Redemptions</i>	<i>Interest Requirements</i>	<i>Total</i>
2000	\$ 34,079,500	\$ 49,408,502	\$ 83,488,002
2001	37,360,000	47,753,228	85,113,228
2002	39,291,500	45,906,603	85,198,103
2003	40,250,000	43,922,291	84,172,291
2004	44,915,000	41,790,405	86,705,405
Thereafter	737,546,000	367,008,458	1,104,554,458
	\$933,442,000	\$595,789,487	\$1,529,231,487

The Department is required by ordinance to fund reserves for prior lien bond issues in an amount equal to the lesser of (a) the maximum annual debt service on all bonds secured by the reserve fund or (b) the maximum amount permitted by the Internal Revenue Code (IRC) of 1986 as a "reasonably required reserve or replacement fund." Upon issuance of the October 1999 bonds, the maximum annual debt service on prior lien bonds increased from \$77.3 million to \$86.7 million. The IRC's requirement increased from \$62.4 million to \$72.4 million. At December 31, 1999, the balance in the reserve fund was \$61.8 million at fair value. The reserve must be fully funded by October 1, 2004.

In addition to the 1998 Series A bonds, the Department issued refunding revenue bonds in 1986, 1992, and 1993, which were used to defease certain outstanding prior lien bonds. Proceeds of the refunding bonds were placed in separate irrevocable trusts to provide for all future debt service payments on the bonds defeased. Accordingly, neither the assets of the respective trust accounts nor the liabilities for the defeased bonds are reflected in the Department's financial statements. The bonds defeased in 1986 and 1992 were redeemed in full during 1995 and 1998, respectively. The bonds defeased in 1998 and 1993 had outstanding balances at cost of \$94.7 million and \$11.7 million as of December 31, 1999, respectively. Funds held in the respective trust accounts on December 31, 1999, will be sufficient to service and redeem the defeased bonds.

Subordinate Lien Bonds

The Department is authorized to issue a limited amount of adjustable rate revenue bonds, which are subordinate to prior lien bonds with respect to claim on revenues. Subordinate lien bonds may be issued to the extent that the new bonds will not cause the

aggregate principal amount of such bonds then outstanding to exceed the greater of \$70 million or 15% of the aggregate principal amount of prior lien bonds then outstanding. Subordinate bonds may be remarketed daily, weekly, short-term, or long-term, and may be converted to prior lien bonds when certain conditions are met.

In December 1996, the Department issued ML&P Adjustable Rate Revenue Bonds in the amount of \$19.8 million, subject to a mandatory redemption schedule spanning the period from June 1, 2002, to June 1, 2021. These bonds were marketed weekly at an interest rate ranging from 2.15% to 5.15% during 1999. Proceeds were used to finance a portion of the capital improvement and conservation program.

The 1990 bonds and 1991 Series B bonds in the amount of \$22.4 million and \$19.5 million, respectively at year end, were marketed on a short-term basis during 1999 with interest rates ranging from 2.6% to 3.9%.

The 1991 Series A bonds in the amount of \$25 million and the 1993 bonds in the amount of \$21.2 million at year end were priced weekly at interest rates from 2.2% to 5.55% in 1999.

As of December 31, 1999, the Department had outstanding subordinate lien bonds totaling \$107.9 million. Future principal redemptions and interest requirements on these bonds, based on estimated interest rates ranging from 3.32% to 4.24% through year 2021, are as follows:

<i>Year ending December 31,</i>	<i>Principal Redemptions</i>	<i>Interest Requirements</i>	<i>Total</i>
2000	\$ 2,100,000	\$ 3,646,498	\$ 5,746,498
2001	2,400,000	3,549,143	5,949,143
2002	3,360,000	3,470,982	6,830,982
2003	3,585,000	3,143,514	6,728,514
2004	4,115,000	2,949,746	7,064,746
Thereafter	92,340,000	23,556,016	115,896,016
	\$107,900,000	\$ 40,315,899	\$148,215,899

The fair value of the Department's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Department for debt of the same remaining maturities.

	<i>December 31, 1999</i>		<i>December 31, 1998</i>	
	<i>Carrying Amount</i>	<i>Fair Value</i>	<i>Carrying Amount</i>	<i>Fair Value</i>
Long-term Debt:				
Prior lien bonds	\$927,637,863	\$919,026,000	\$802,148,360	\$875,340,000
Subordinate lien bonds	107,587,307	107,900,000	109,469,442	109,800,000
	\$1,035,225,170	\$1,026,926,000	\$911,617,802	\$985,140,000

Amortization

Bond issue costs, discounts and premiums are amortized using the effective interest method over the term of the bonds.

The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized as a component of interest expense using the straight-line method and totaled \$11.2 million for the January 1998 Series A bond which refunded the 1994 revenue bonds. Deferred refunding costs amortized to interest expense totaled \$4.2 million in 1999 and \$4.3 million in 1998. Deferred costs in the amount of \$41.2 million and \$45.4 million, respectively, are reported as a component of long-term debt in the 1999 and 1998 balance sheets.

Note (4) Seattle City Employees' Retirement System

The Seattle City Employees' Retirement System (SCERS) is a single-employer public employee retirement system, covering employees of the City of Seattle and administered in accordance with Chapter 41.28 of the Revised Code of Washington and Chapter 4.36 of the Seattle Municipal Code. SCERS is a department of the City of Seattle.

All employees of the City of Seattle are eligible for membership in SCERS with the exception of uniformed police and fire personnel who are covered under a retirement system administered by the State of Washington. As of the actuarial valuation date, there were 4,644 annuitants receiving benefits, and 7,779 active members of SCERS. Currently, 743 vested terminated employees are entitled to future benefits. In addition, 172 terminated employees have restored their contributions due to the provisions of the portability statutes and may be eligible for future benefits.

SCERS provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Retirement benefits are calculated, generally, as 2% multiplied by years of creditable service, multiplied by average salary, based on highest 24 consecutive months excluding overtime. The benefit is actuarially reduced for early retirement.

Actuarially determined contribution rates both for members and for the employer are currently 8.03% of the current year covered payroll.

SCERS issues stand-alone financial statements which may be obtained by writing to the Seattle City Employees' Retirement System, 801 Third Avenue, Suite 300, Seattle, WA 98104 ; telephone (206) 386-1292.

Schedule of Employer Contributions – City of Seattle

Year Ended December 31,	Annual Pension Cost and Annual Required Contribution (millions)	Percentage Contributed
1997	\$28.3	100%
1998	\$30.6	100%
1999	\$29.9	100%

Valuation date	1/1/99
Actuarial cost method	Entry age
Amortization method	Level percent
Remaining amortization period	0 years
Amortization period	Open
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return *	8.0%
Projected general wage inflation *	4.5%
Cost-of-living year-end bonus dividend	0.67%

* Includes underlying price inflation at 4.0%.

Schedule of Funding Progress

Seattle City Employees' Retirement System – City of Seattle (Dollar amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) Entry Age (1)(b)	Unfunded AAL (UAAL) (2)(b-a)	Funded Ratio(a/b)	Covered Payroll (3)(c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/97	\$1,094.8	\$1,087.3	\$ (7.5)	100.7%	\$ 316.9	(2.4)%
1/1/98	1,224.6	1,105.8	(118.8)	110.7	316.3	(37.6)
1/1/99	1,375.0	1,326.6	(48.4)	103.6	341.5	(14.2)

1) Actuarial present value of benefits less actuarial present value of future normal costs based on Entry Age Actuarial Cost Method.

2) Actuarial accrued liabilities less actuarial value of assets.

3) Covered payroll includes compensation paid to all active employees on which contributions are calculated.

Note (5) Deferred Compensation

The Department's employees may contribute to the City of Seattle's Voluntary Deferred Compensation Plan (the Plan). The Plan, available to City employees and officers, permits participants to defer a portion of their salary until future years. The deferred compensation is paid to participants and their beneficiaries upon termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1999, the Plan is an eligible deferred compensation plan under Section 457 of the IRC of 1986, as amended, and a trust exempt from tax under IRC Sections 457(g) and 501(a). The Plan is operated for the exclusive benefit of participants and their beneficiaries. No part of the corpus or income of the Trust shall revert to the City or be used for, or diverted to, purposes other than the exclusive benefit of participants and their beneficiaries.

The Plan is not reported in the financial statements of the City or the Department.

It is the opinion of the City's legal counsel that the City has no liability for investment losses under the Plan. Under the Plan, participants select investments from alternatives offered by the Plan Administrator, who is under contract with the City to manage the Plan. Investment selection by a participant may be changed from time to time. The City does not manage any of the investment selections. By making the selection, participants accept and assume all risks inherent in the Plan and its administration.

Note (6) Purchased and Interchanged Power *Bonneville Power Administration*

The Department purchases electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA) under a long-term contract expiring on September 30, 2001. The BPA rate structure is based on the total amount of energy delivered and the monthly peak power demand.

Until August 1, 1996, the Department was an actual computed requirements customer of BPA and was entitled to buy from BPA the energy required to fill the variance between its customer load and its firm power resources. The Department had a right to displace this entitlement, by payment of an availability charge. Effective August 1, 1996, the contract with BPA was amended, through the remaining life of the contract, to limit purchases to 195 average MW. The Department can still displace part of this amount by paying an availability charge; BPA energy displaced was 14.4 MW in 1999 and 30.3 MW in 1998. Power purchased under this contract was 180.6 average MW in 1999 and 164.7 average MW in 1998. The contract amendment required payment of a diversity fee of \$2 million which is being

amortized over the remaining five-year contract period.

In 1983, the Department entered into separate net billing agreements with BPA and Energy Northwest (formerly the Washington Public Power Supply System), a municipal corporation and joint operating agency of the State of Washington, with respect to sharing costs for the construction and operation of three nuclear generating plants. Under these agreements, the Department is unconditionally obligated to pay Energy Northwest a pro rata share of the total annual costs including debt service to finance the cost of construction, whether or not construction is completed, delayed or terminated, or operation is suspended or curtailed. The net billing agreements provide that these costs be recovered through BPA rates. One plant is in commercial operation. Construction of the other two plants has been terminated.

Lucky Peak

In 1984, the Department entered into a purchase power agreement with four irrigation districts to acquire 100% of the net output of a hydroelectric facility constructed in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project. The agreement, which expires in 2038, obligates the Department to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable.

During 1999, the power purchased under this agreement was approximately 49 average MW. To properly reflect its rights and obligations under this agreement, the Department includes as an asset and liability the outstanding principal of the project's debt, net of the balance in the project's reserve account.

British Columbia-Ross Dam

In 1984, an agreement was reached between the Province of British Columbia and the City of Seattle under which British Columbia will provide the Department with power equivalent to the planned increased capacity of Ross Dam in lieu of the Department's construction of the addition. The agreement was ratified by a treaty between Canada and the United States in the same year. The power is to be received for 80 years and began in 1986. The Department makes annual payments to British Columbia of \$21.8 million, which represent the estimated cost the Department would have incurred for financing, had the addition been constructed. The payments are being made for 35 years and began in 1986. The Department is also paying equivalent

operation and maintenance costs, which began in 1986 and will continue for 80 years. Equivalent operation and maintenance costs were \$150,276 and \$147,053 for 1999 and 1998, respectively. The power available for purchase under this agreement was 35.2 average MW in 1999 and 35.6 average MW in 1998, and up to 298 MW of peak capacity.

In addition to the direct costs of power under the agreement, the Department incurred costs of approximately \$8 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual \$1 million payments. These costs have been deferred and are being amortized to purchased power expense over 35 years.

Other Long-Term Purchase Power Agreements

The Department also purchases energy from Public Utility Districts (the PUDs) No. 1 of Pend Oreille County and No. 2 of Grant County, under agreements expiring August 1, 2005, and October 31, 2005, respectively; the Grand Coulee Project Hydroelectric Authority (the Authority) which includes the South, East, and Quincy Columbia Basin Irrigation Districts under 40-year agreements that expire from 2022 to 2027; and the Columbia Storage Power Exchange until expiration of the agreement on March 31, 2003. Power purchased under these contracts was 99.9 average MW in 1999 and 96.9 average MW in 1998. Rates under the PUD and Authority contracts represent a share of the operating and debt service costs in proportion to the share of total energy to which the Department is entitled whether or not these plants are operating or operable.

Minimum Payments Under Purchase Power Contracts

The Department's share of minimum payments under its contracts with the PUDs, irrigation districts, power exchange corporation, Lucky Peak Project and British Columbia, excluding operating costs, for the period from 2000 through 2020 are:

<i>Year ending December 31,</i>	<i>Minimum Payments</i>
2000	\$ 46,196,138
2001	46,191,792
2002	42,197,218
2003	39,846,515
2004	39,862,940
Thereafter	408,261,018
	\$ 622,555,621

Costs under these long-term contracts totaled \$51.8 million in 1999 and \$53.1 million in 1998. Energy received represented approximately 50% of the Department's total purchases under firm power contracts during 1999 and 52% during 1998.

Other Power Transactions

Other power transactions include purchases under short-term agreements and interchanges of secondary power between utilities in response to seasonal resource and demand variations. Fluctuations in annual precipitation levels and other weather conditions materially affect the energy output from the Department's hydroelectric facilities. Accordingly, the net interchange of secondary power in and out may vary significantly from year to year. The Department's net power purchases or sales, and interchanged activities are reflected in the statements of income and changes in retained earnings.

In March 1998, the Department was certified as a scheduling coordinator with the California Independent System Operator to submit schedules and sell power and ancillary services in California.

In January 2000, the Department entered into agreements, continuous until terminated, with the California Power Exchange Corporation (PX) which authorize the Department to participate in the power exchange market covered under the State of California PX Tariff.

Note (7) Deferred Costs

The City Council passed resolutions in 1984 and 1985 authorizing the debt financing and deferral of all programmatic conservation costs incurred by the Department. These resolutions were fully implemented by 1986. Approximately \$15.9 million and \$13.6 million in programmatic conservation costs were deferred in 1999 and 1998, respectively. These costs are to be recovered through rates over 20 years. In 1999 and 1998, \$4.7 million and \$3.9 million, respectively, were amortized to expense. The total remaining balances of unamortized conservation costs at December 31, 1999 and 1998, were \$71.2 million and \$60 million, respectively.

Note (8) Provision For Injuries and Damages

The Department is self-insured for casualty losses to its property, for environmental cleanup, and for certain losses arising from third-party damage claims. The Department establishes liabilities for claims based on estimates of the ultimate cost of claims. The length of time for which such costs must be estimated varies depending on the nature of the claim. Actual claims costs depend on such factors as inflation, changes in doctrines of legal liability, damage awards, and specific incremental claim adjustment expenses. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, industry averages, city-wide cost allocations, and other economic and social factors.

The estimate for incurred but not reported claims was increased by \$2.5 million in 1999. Liabilities for lawsuits, claims, and workers' compensation were discounted over 13, 12, and 16 years in 1999, and 8 years in 1998, respectively, at the City's average annual rate of return on investments which was 5.692% in 1999 and 6.123% in 1998. Liabilities for environmental cleanup and for casualty losses to the Department's property are not discounted due to uncertainty with respect to the settlement dates.

The schedule below presents the changes in the provision for injuries and damages during 1999 and 1998:

	<i>1999</i>	<i>1998</i>
Unpaid claims at January 1	\$ 5,937,189	\$5,827,104
Payments	(5,056,196)	(1,613,760)
Incurred claims	5,747,769	1,723,845
Unpaid claims at December 31	\$6,628,762	\$ 5,937,189

The provision for injuries and damages is included in current and noncurrent liabilities as follows:

	<i>1999</i>	<i>1998</i>
Noncurrent liabilities	\$5,976,313	\$ 2,058,399
Accounts payable, accrued payroll, taxes and other	652,449	3,878,790
	\$6,628,762	\$ 5,937,189

Note (9) Commitments and Contingencies *Operating Leases*

In December 1994, the City entered into an agreement on behalf of the Department for a ten-year lease of office facilities in downtown Seattle commencing February 1, 1996. In early 1996, the City purchased the building in which these facilities are located, thus becoming the Department's lessor.

The Department also has seven other long-term operating leases for smaller facilities used for office and storage purposes.

Expense under the leases totaled \$3.6 million and \$3.8 million in 1999 and 1998, respectively.

Minimum payments under the leases are:

<i>Year ending December 31,</i>	<i>Minimum Payments</i>
2000	\$ 3,517,226
2001	3,244,811
2002	3,403,854
2003	3,418,080
2004	3,535,448
Thereafter	3,841,627
	\$ 20,961,046

Other

Associated with the FERC operating license for the Skagit Hydroproject, which is in effect until the year 2025, are settlement agreements which commit the Department to undertake certain mitigation activities. The mitigation cost is estimated at \$40.7 million, of which \$23.3 million have been expended.

The estimated financial requirement for the Department's 2000 capital improvement and conservation program is \$140.6 million and the Department has substantial contractual commitments relating thereto.

In March 1998, a Summary and Declaratory Judgment was ordered against the Department in Pend Oreille County, Superior Court of the State of Washington in regards to the purchased power contract with Pend Oreille PUD. The judgment, in the amount of \$2.9 million including interest, was recorded as other expense (net) in 1997 along with a corresponding other current liability. An appeal by the Department was not sustained and payment of \$3.2 million, including interest, was made in 1999.

Chinook salmon and bull trout are native fish to the Pacific Northwest. In March 1999, the National Marine Fisheries Service listed chinook salmon in Puget Sound as a threatened species under the Federal Endangered Species Act (ESA). In June 1998, the U.S. Fish and Wildlife Service (USFWS) listed the Columbia River Basin population segment of bull trout as a threatened species under the ESA and in October 1999, the USFWS listed bull trout in Puget Sound as a threatened species under the ESA. It is too early to determine the effect on the Department's hydroelectric projects and operations as a result of these two listings.

Financial Summary

<i>For the years ended December 31</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>
Balance Sheet					
Assets					
Utility plant, net	\$ 1,156,236,906	\$ 1,072,654,414	\$ 1,013,700,966	\$ 977,989,653	\$ 941,202,979
Capitalized purchased power commitment	73,854,788	81,330,278	88,756,582	94,465,223	99,116,465
Restricted assets ^A	62,528,127	60,129,933	56,166,032	52,443,919	48,217,399
Current assets ^A	178,517,210	130,463,176	145,498,789	151,715,855	134,000,222
Other assets	94,727,946	84,168,892	74,545,834	68,036,045	63,551,241
Total assets	\$ 1,565,864,977	\$ 1,428,746,693	\$ 1,378,668,203	\$ 1,344,650,695	\$ 1,286,088,306
Equity & Liabilities					
Equity ^A	\$ 413,279,048	\$ 398,284,823	\$ 408,450,084	\$ 374,439,654	\$ 343,171,034
Long-term debt, net	957,857,015	830,973,490	771,670,124	769,109,579	747,441,062
Noncurrent liabilities	71,956,101	75,958,677	83,623,913	90,789,505	97,363,646
Current liabilities	120,898,099	121,460,514	113,179,296	109,133,937	97,919,182
Deferred credits	1,874,714	2,069,189	1,744,786	1,178,020	193,382
Total equity & liabilities	\$ 1,565,864,977	\$ 1,428,746,693	\$ 1,378,668,203	\$ 1,344,650,695	\$ 1,286,088,306
Statement of Income					
Operating Revenues					
Residential	\$ 142,542,347	\$ 134,622,904	\$ 136,934,204	\$ 132,505,751	\$ 122,053,704
Commercial	141,105,588	135,685,224	137,216,230	132,806,239	127,427,454
Industrial	45,891,368	50,234,594	52,418,715	49,771,070	46,127,576
Governmental	37,766,052	37,360,320	38,241,277	38,990,344	36,545,279
Sales for resale	-	1,556,314	-	-	-
Unbilled revenue-net change	629,526	1,166,004	(2,099,434)	2,597,289	(2,345,737)
Total sales of electric energy	367,934,881	360,625,360	362,710,992	356,670,693	329,808,276
Other revenues	4,815,884	3,287,770	3,427,171	3,061,751	2,376,704
Total operating revenues	372,750,765	363,913,130	366,138,163	359,732,444	332,184,980
Operating Expenses					
Purchases of firm power	80,888,231	79,999,162	73,952,830	67,357,080	71,731,764
Net interchanged power	(19,769,750)	17,105,639	(21,325,153)	(6,871,852)	7,826,890
Generation	31,071,778	31,019,177	30,687,731	29,411,054	26,257,468
Other power costs	4,508,274	3,716,008	3,228,159	3,142,173	2,608,079
Transmission	20,960,408	19,866,792	20,575,865	18,983,536	17,685,650
Distribution	37,138,587	35,974,507	34,240,097	34,074,948	34,668,075
Customer service & accounting	26,504,669	29,365,498	27,509,669	24,685,271	23,442,674
Administration & general	43,310,839	37,831,932	37,210,668	42,387,664	34,623,760
Loss on impairment of assets	-	-	-	-	8,584,533
Taxes ^B	38,661,079	38,162,001	37,105,624	36,089,689	33,379,064
Depreciation & amortization	54,022,390	54,213,420	51,892,420	45,916,579	39,607,336
Total operating expenses	317,296,505	347,254,136	295,077,910	295,176,142	300,415,293
Net operating income	55,454,260	16,658,994	71,060,253	64,556,302	31,769,687
Other income (expense), net	(3,907,245)	(1,214,197)	(6,931,565)	(1,558,908)	(1,762,796)
Investment income ^A	4,140,404	7,222,664	8,467,693	5,648,899	6,559,820
Total operating and other Income	55,687,419	22,667,461	72,596,381	8,646,293	36,566,711
Interest Expense					
Interest, expense	46,952,066	42,809,590	43,284,665	42,347,221	41,011,988
Amortization of debt expense	5,208,932	5,356,167	5,198,827	5,247,412	5,369,328
Interest charged to construction	(4,212,048)	(2,921,783)	(2,317,158)	(1,961,320)	(5,712,989)
Net interest expense	47,948,950	45,243,974	46,166,334	45,633,313	40,668,327
Net income (loss)	\$ 7,738,469	\$ (22,576,513)	\$ 26,430,047	\$ 23,012,980	\$ (4,101,616)

^A GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," was implemented in 1997 to report investments at fair value and the fair value adjustments as part of investment income. Accordingly, values and amounts for 1996 were restated and equity includes the cumulative effect of implementing GASB Statement No. 31. 1995 is not restated.

^B Starting with 1996, FICA taxes have been allocated to O&M as well as to capital projects. 1995 Operating Expenses have been restated.

Interest Requirements and Principal Redemption on Bonded Debt

As of December 31, 1999

Years	Prior Lien Bonds			Subordinate Lien Bonds	
	Principal	Interest	Total	Principal	Interest ^B
2000	\$ 34,079,500	\$ 49,408,502	\$ 83,488,002	\$ 2,100,000	\$ 3,646,498
2001	37,360,000	47,753,228	85,113,228	2,400,000	3,549,143
2002	39,291,500	45,906,603	85,198,103	3,360,000	3,470,982
2003	40,250,000	43,922,291	84,172,291	3,585,000	3,143,514
2004	44,915,000	41,790,405	86,705,405 ^A	4,115,000	2,949,746
2005	45,531,000	39,452,276	84,983,276	4,445,000	2,860,094
2006	44,105,000	37,147,791	81,252,791	4,775,000	2,693,118
2007	46,515,000	34,824,064	81,339,064	5,305,000	2,611,897
2008	45,705,000	32,720,644	78,425,644	5,840,000	2,493,755
2009	45,235,000	30,231,873	75,466,873	6,270,000	2,331,002
2010	44,400,000	27,749,378	72,149,378	6,705,000	2,132,295
2011	43,210,000	25,578,050	68,788,050	7,345,000	1,970,210
2012	42,455,000	23,158,138	65,613,138	7,785,000	1,702,831
2013	41,520,000	20,789,505	62,309,505	8,425,000	1,440,720
2014	40,690,000	18,462,074	59,152,074	8,865,000	1,164,494
2015	39,915,000	16,196,518	56,111,518	9,410,000	844,670
2016	39,070,000	14,009,868	53,079,868	7,755,000	493,568
2017	37,535,000	11,888,168	49,423,168	2,600,000	328,306
2018	35,165,000	9,870,505	45,035,505	2,750,000	236,890
2019	32,665,000	7,976,505	40,641,505	1,300,000	136,917
2020	28,910,000	6,197,085	35,107,085	1,355,000	85,578
2021	24,900,000	4,649,000	29,549,000	1,410,000	29,671
2022	21,890,000	3,237,019	25,127,019	-	-
2023	19,645,000	1,996,625	21,641,625	-	-
2024	18,485,000	873,372	19,358,372	-	-
Totals	\$ 933,442,000	\$ 595,789,487	\$ 1,529,231,487	\$ 107,900,000	\$ 40,315,899

^A Maximum debt service—see Note 3 on page 20.

^B Based on actual and estimated interest rates ranging from 3.32-4.24%.

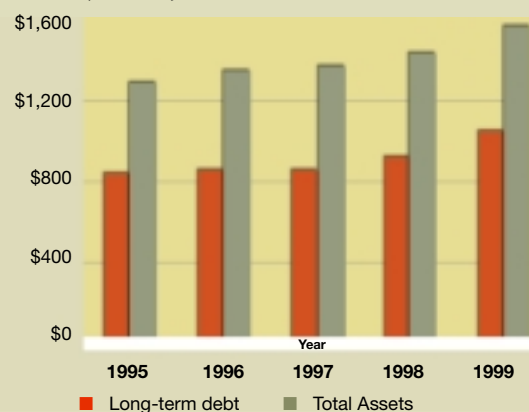
Debt Service Coverage: Prior Lien Bonds

For the years ended December 31,

	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
1999	\$143,358,774	\$75,394,637	1.90
1998	105,024,128	69,898,371	1.50
1997	157,402,022	71,035,264	2.22
1996	144,099,243	68,001,376	2.12
1995	109,851,627	59,663,957	1.84

Long-term Debt to Total Assets

(in Millions)



Statement of Bonded Debt

As of December 31, 1999

<i>Name of Bond</i>	<i>When Due</i>	<i>Interest Rate (%)</i>	<i>Amount Issued</i>	<i>Amount Redeemed</i>	<i>Amount Outstanding 12/31/99</i>	<i>Amount Due Within One Year</i>	<i>Accrued Interest</i>
Bonds redeemed at 12-31-99							
General Lien Bonds							
1903-14	1923-1924		\$ 4,044,000	\$ 4,044,000			
Revenue Bonds ^A							
1917-94	1923-2020		\$ 1,294,109,000	1,294,109,000			
Total			\$1,298,153,000	\$1,298,153,000			
Prior Lien Bonds							
Series 1992	2000	5.100	\$ 4,250,000		\$ 4,250,000	\$ 4,250,000	\$ 90,312
Series 1992	2001	5.200	4,740,000		4,740,000		102,700
Series 1992	2002	5.300	4,710,000		4,710,000		104,012
Series 1992	2003	5.400	5,680,000		5,680,000		127,800
Series 1992	2004	5.500	5,630,000		5,630,000		129,021
Series 1992	2005	5.625	5,575,000		5,575,000		130,664
Series 1992	2006-2012	5.750	72,250,000		72,250,000		1,730,990
Series 1992	2013-2014	6.000	19,310,000		19,310,000		482,750
Series 1992	2015-2017	5.750	33,450,000		33,450,000		801,406
Series 1993	2000	4.600	26,370,000		26,370,000	26,370,000	202,170
Series 1993	2001	4.700	27,620,000		27,620,000		216,357
Series 1993	2002	4.800	28,840,000		28,840,000		230,720
Series 1993	2003	4.900	27,250,000		27,250,000		222,542
Series 1993	2004	5.000	28,525,000		28,525,000		237,708
Series 1993	2005	5.100	29,795,000		29,795,000		253,257
Series 1993	2006	5.200	23,020,000		23,020,000		199,507
Series 1993	2007	5.300	24,200,000		24,200,000		213,767
Series 1993	2008	5.400	12,020,000		12,020,000		108,180
Series 1993	2009-2010	5.450	25,415,000		25,415,000		230,853
Series 1993	2011-2013	5.500	12,425,000		12,425,000		113,896
Series 1993	2014-2018	5.375	25,645,000		25,645,000		229,736
Series 1994	2000-2004	6.000	14,665,000		14,665,000	2,705,000	439,950

Continued on next page.

<i>Name of Bond</i>	<i>When Due</i>	<i>Interest Rate (%)</i>	<i>Amount Issued</i>	<i>Amount Redeemed</i>	<i>Amount Outstanding 12/31/99</i>	<i>Amount Due Within One Year</i>	<i>Accrued Interest</i>
Series 1995	2000	4.300	\$ 754,500		\$ 754,500	\$ 754,500	\$ 10,814
Series 1995	2001	5.000	1,770,000		1,770,000		29,500
Series 1995	2002	4.500	241,500		241,500		3,622
Series 1995	2002-2004	5.000	4,825,000		4,825,000		80,417
Series 1995	2005	4.800	456,000		456,000		7,296
Series 1995	2006-2007	5.000	4,650,000		4,650,000		77,500
Series 1995	2008	5.125	2,515,000		2,515,000		42,965
Series 1995	2009	5.300	2,655,000		2,655,000		46,905
Series 1995	2010	5.400	2,805,000		2,805,000		50,490
Series 1995	2011	5.500	2,970,000		2,970,000		54,450
Series 1995	2012	5.600	3,145,000		3,145,000		58,707
Series 1995	2013-2018	5.625	23,285,000		23,285,000		436,594
Series 1995	2019-2020	5.700	9,815,000		9,815,000		186,483
Series 1996	2002-2008	5.250	7,055,000		7,055,000		92,597
Series 1996	2009	5.300	1,235,000		1,235,000		16,364
Series 1996	2010	5.400	1,300,000		1,300,000		17,550
Series 1996	2011-2013	5.500	4,365,000		4,365,000		60,019
Series 1996	2014-2021	5.625	16,045,000		16,045,000		225,633
Series 1997	2003-2018	5.000	21,425,000		21,425,000		535,625
Series 1997	2019-2022	5.125	8,575,000		8,575,000		219,734
Series 1998	2001-2004	4.500	2,790,000		2,790,000		62,775
Series 1998	2005-2008	4.750	18,990,000		18,990,000		451,012
Series 1998	2009-2020	5.000	82,390,000		82,390,000		2,059,750
Series 1998	2004-2019	4.750	59,545,000		59,545,000		235,699
Series 1998	2021	4.875	11,250,000		11,250,000		45,703
Series 1998	2024	5.000	19,205,000		19,205,000		80,021
Series 1999	2006-2007	5.000	6,250,000		6,250,000		78,125
Series 1999	2008-2009	5.750	13,500,000		13,500,000		194,062
Series 1999	2010	5.875	2,500,000		2,500,000		36,719
Series 1999	2011-2024	6.000	35,750,000		135,750,000		2,036,250
Total Prior Lien Bonds			\$ 933,442,000		\$ 933,442,000	\$ 34,079,500	\$ 14,131,679
Subordinate Lien Bonds							
Series 1990	2000-2015	2.750-3.900 ^B	\$ 22,400,000		\$ 22,400,000	\$ 800,000	\$ 241,710
Series 1991	2000-2016	2.200-5.550 ^B	44,500,000		44,500,000	500,000	323,772
Series 1993	2000-2018	2.200-5.550 ^B	21,200,000		21,200,000	800,000	71,766
Series 1996	2002-2021	2.150-5.150 ^B	19,800,000		19,800,000	-	65,883
Total Subordinate Bonds			\$ 107,900,000		\$ 107,900,000	\$ 2,100,000	\$ 703,131
Total Bonded Debt			\$ 1,041,342,000		\$ 1,041,342,000	\$ 36,179,500	\$ 14,834,810

^AIncluding bonds defeased through refundings and Subordinate Lien Bonds.

^BAdjustable rates in effect during 1999.